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August 24, 2007  
Via messenger

**RECEIVED**

**AUG 24 2007**

**LANE POWELL LLC**

Brewster H. Jamieson  
Lane Powell  
301 W. Northern Lights Blvd., Suite 301  
Anchorage, AK 99503

Re: *Forest Oil Corp. v. Union Oil Co. of California d/b/a Unocal of Alaska*,  
Case No. A05-0078 CV (RRB)

Dear Brewster:

Mitch Fischbach and his team at Forest Oil have completed an exhaustive review of the Audit Exceptions involved in this case. I enclose with this letter, in response to your letters of June 27 and July 24, and as a supplement to Forest Oil's responses to Unocal's First Set of Discovery Requests, a "Summary of Outstanding Exceptions" that indicates both the audit exceptions that Forest Oil still considers to be "open," and the value of associated charges that Forest Oil continues to take exception to.

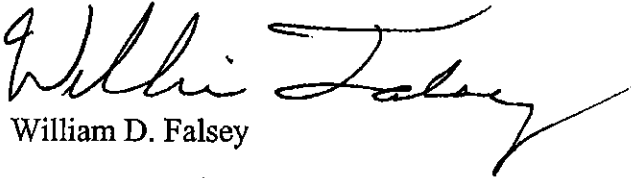
As you will see, the Summary lists a number of exceptions that Unocal has already "granted." Together, these exceptions should have resulted in a net credit to Forest of over \$1,000,000. It is my understanding that Unocal believes that it has already credited some portion of this amount to Forest. As is further explained in footnote 8 of the Summary, if Unocal can provide Forest with documentation sufficient to allow Forest to verify that Unocal has, in fact, credited Forest for some or all of the amount that Forest is owed for the "granted" exceptions, Forest will agree that those amounts can be dropped from this lawsuit.

Brewster Jamieson  
August 24, 2007  
Page 2

Please let me know if you require any further information.

Very truly yours,

FELDMAN ORLANSKY & SANDERS

  
William D. Falsey

Enclosure

WDF:rem

cc: Scott Taylor  
Cristin Cracraft

**FOREST OIL CORPORATION  
PROPERTY - TRADING BAY UNIT & FIELD  
SUMMARY OF OUTSTANDING EXCEPTIONS  
ATTORNEY CLIENT WORK PRODUCT**

Audit	Exception	Description	Open Exception \$	Exceptions Granted	Footnote
2004					
05-05-NC	2	Miscoded Invoice - Crane Operator	0.00	852.78	
05-05-NC	6	Covered by Overhead - Compliance Support	72,340.70		
05-05-NC	7	Excess Overhead Charge	0.00	1,397.30	
05-05-NC	8	Miscoded Invoice - Professional Services	0.00	3,607.04	
05-05-NC	9	Miscoded Invoice - Consulting Services	2,296.75		
05-05-NC	11	Covered by Overhead - Professional Services	20,777.50		
05-05-NC	12	Covered by Overhead - Consulting Services	17,180.15		
05-05-NC	13	Covered by Overhead - Consulting Services	29,733.79	10,684.60	
05-05-NC	14	Covered by Overhead - Gift Cards	0.00	13,302.66	
05-05-NC	15	Covered by Overhead - Mechanical Integrity Audit	14,105.42		
05-05-NC	16	Covered by Overhead - Special Awards	28,169.30		
05-05-NC	17	Miscoded Invoice - Catering Costs	3,046.75	10,747.21	
05-05-NC	18	Covered by Overhead - Employee Medical Costs	41,488.47		
05-05-NC	19	Vendor's Duplicate Charge - Well Safe Inc.	0.00	2,385.00	
05-05-NC	20	Covered by Overhead - Onshore Office Equipment	21,419.94		
05-05-NC	21	Covered by Overhead - Office Supplies	2,967.94		
05-05-NC	22	Covered by Overhead - Accounting Clerk	10,772.63		
05-05-NC	24	Rig Wind Wall Enhancement Not Covered by AFE	240,464.94		
05-05-NC	26	Miscoded Invoice - Crane Operator	0.00	2,565.28	
05-05-NC	27	Miscoded Invoice - Crane Operator	0.00	911.68	
05-05-NC	31	Covered by Overhead - Warehousing Charges	0.00	15,491.90	
05-05-NC	32	Covered by Overhead - Warehousing Charges	10,469.37		
05-05-NC	33	Credit Due - Conoco/Phillips Workboat Usage	0.00	19,373.22	
05-05-NC	34	Time Writing - Administrative Charges	335,226.06		
05-05-NC	35	Time Writing - Managerial Charges	148,819.10		
05-05-NC	36	Time Writing - Allocation Basis	147,837.32		
05-05-NC	37	Time Writing - ERA Estimated Costs	72,396.88		
05-05-NC	38	Credit Due - Expediting Services - Conoco/Phillips	52,206.00		
05-05-NC	39	Covered by Overhead - Warehouse Rental	54,327.98	1,593.54	
05-05-NC	40	Covered by Overhead - DOT Audit	8,712.14		
05-05-NC	42	Miscoded Invoices - Prorating Errors	0.00	593.88	
05-05-NC	43	Covered by Overhead - Clerical Support Services	4,632.96		
05-05-NC	44	Operator's 100% Costs - Contractor Audits	10,123.86		
05-05-NC	45	Covered by Overhead - Warehouse Construction	0.00	25,757.65	
05-05-NC	46	Covered by Overhead - Warehouse Utilities	6,223.25		
05-05-NC	47	Covered by Overhead - Non-Technical Training	0.00	3,093.08	
05-05-NC	48	Covered by Overhead - Contract Negotiations	1,485.45		
05-05-NC	49	Covered by Overhead - Administrative Services	24,853.47	24,853.48	
05-05-NC	50	Covered by Overhead - Purchasing Payroll	148,599.44		
05-05-NC	51	Misallocated Charges - EFDF Allocation Cost Center	73,205.65		
05-05-NC	53	Covered by Overhead - Social Functions/Dinners	0.00	1,881.90	
05-05-NC	55	Unaccounted For Facility Services - Steelhead Pltfrm	TBD		1
2003					
04-06-NC	2	Costs Covered by Overhead - Drilling Account	28,208.96		
04-06-NC	3	Credit Due Joint Account - Work Boat Sub-Charter	0.00	53,233.55	2
04-06-NC	4	Credit Due Joint Account - Boat Fuel Inventory	0.00	8,995.52	
04-06-NC	5	Time Writing - Legal Charges	31,020.94		
04-06-NC	8	Costs Covered by Overhead - Gift Certificates	0.00	71,810.34	
04-06-NC	10	Allocation Error - Peak Oilfield Services	0.00	847.41	
04-06-NC	12	Invoice Coding Errors - Various Vendors	0.00	22,372.60	
04-06-NC	13	Duplicate Charges - McKinley Services	0.00	4,146.19	
04-06-NC	14	Time Writing - Estimated ERA Tickets Usage	46,736.79		
04-06-NC	15	Time Writing - Administrative Costs	283,698.37		
04-06-NC	16	Time Writing - Cost Allocation Basis	155,926.74		
04-06-NC	17	Time Writing - Management Time & Costs	78,147.09	81,333.06	
04-06-NC	18	Credits Due Joint Account - TBPF Catering	252,306.50		
04-06-NC	19	Costs Covered by Overhead - Time Writing	0.00	42,115.54	

**FOREST OIL CORPORATION  
PROPERTY - TRADING BAY UNIT & FIELD  
SUMMARY OF OUTSTANDING EXCEPTIONS  
ATTORNEY CLIENT WORK PRODUCT**

Audit	Exception	Description	Open Exception \$	Exceptions Granted	Footnote
04-06-NC	21	Duplicate Charges - McKinley Services	0.00	3,282.36	
04-06-NC	22	Costs Covered by Overhead - Trophy Fish	567.10		
04-06-NC	23	Costs Covered by Overhead - Payroll	0.00	112,176.65	
04-06-NC	24	Credit Due Joint Account - Heliport Usage	0.00	25,440.00	
04-06-NC	25	Costs Covered by Overhead - Administrative Costs	0.00	44,022.49	
04-06-NC	26	Costs Covered by Overhead - Services	0.00	36,554.10	
04-06-NC	27	Allocation Error - Peak Oilfield Services	10,748.32		
04-06-NC	28	Costs Covered by Overhead - Contract Employee	14,608.46		
04-06-NC	29	Costs Covered by Overhead - Warehouse Costs	85,655.63		
04-06-NC	30	Costs Covered by Overhead - Medical Services	61,007.42		
04-06-NC	32	Allocation Error - EFDF Cost Center	27,736.07		
04-06-NC	33	Costs Covered by Overhead - Switchboard Operator	0.00	4,856.61	
04-06-NC	35	Invoice Coding Error - State of Alaska	0.00	1,345.14	
04-06-NC	36	Costs Covered by Overhead - Company Forms	4,926.35		
04-06-NC	38	Rental Tool Rate Discount	46,544.93		3
04-06-NC	39	Time Writing - Employees' Expenses	17,848.35		
2002					
04-04-NC	4	Charges Covered by Overhead	60,132.98		
04-04-NC	6	Rental Tool Rate Discount	201,936.44		3
04-04-NC	9	Miscoded Invoices	0.00	21,405.21	
04-04-NC	12	Duplicate Billed Rental Tool	0.00	5,594.72	
04-04-NC	14	Charges Covered by Overhead	1,568.48		
04-04-NC	15	Unsupported Time Writing Charges	135,434.02		
04-04-NC	16	Charges Covered by Overhead - Office Supplies	6,244.64		
04-04-NC	18	Charges for Legal Time and Expenses	0.00	88,761.77	
04-04-NC	19	Bruce Grind & Inject Project	0.00	118,045.64	
04-04-NC	21	Miscoded Charges	0.00	7,817.70	
04-04-NC	22	Drilling Training/Peer Assist	9,788.71		
04-04-NC	25	Time Writing Charges For 2001	753,449.78		
04-04-NC	26	Costs Covered by Overhead	179,579.06		
04-04-NC	27	State Tax on No. 2 Diesel Fuel (Non-Marine Use)	15,109.74		
04-04-NC	28	Legal Charges Covered by Overhead	14,319.54		
04-04-NC	29	Misallocated Charges	38,514.43		
04-04-NC	30	Unaccounted for CISPRI Credit	0.00	33,032.57	
04-04-NC	33	Contract Services Covered by Overhead	0.00	43,187.26	
04-04-NC	34	Charges Covered by Overhead	1,063.54		
04-04-NC	35	Services Covered by Overhead	0.00	11,775.15	
04-04-NC	36	Medical Costs Covered by Overhead	32,306.80		
04-04-NC	37	Special Recognition Awards	0.00	33,819.13	
04-04-NC	38	Newspaper Subscription and Advertisements	0.00	857.54	
04-04-NC	39	Bruce Injection Facility Rates	2,114,347.95		
04-04-NC	40	Time Writing Charges Covered by Overhead	527,193.33	24,809.66	
04-04-NC	41	Time Writing - Estimated Charges	58,768.99	106,777.41	
04-04-NC	43	Cost Center 1009903000 Clearing	103,968.54	36,215.58	
04-04-NC	44	Time Writing Allocation Basis	496,938.24		
2001					
03-07-NC	1	Coding Errors - Swanson River, Granite Point	0.00	21,419.46	
03-07-NC	2	Trading Bay Unit Operator Fee Allocation	0.00	84,092.45	
03-07-NC	5	Miscoded Charges - Cook Inlet Pipeline Company	52,909.67		
03-07-NC	8	Area Operating Expense Overcharge	134,714.27		
03-07-NC	9	IIAK Technical Employees	27,133.34		
03-07-NC	10	Drilling Foreman Salary and Expense Distribution	174,231.61		
03-07-NC	11	Sales Tax on #2 Diesel Fuel (Non-Marine Use)	13,244.59		
03-07-NC	12	Medical Services Covered by Overhead	44,124.86	5,565.16	
03-07-NC	13	Newspaper Subscription & Classified Ad Displays	0.00	3,094.14	
03-07-NC	14	Warehouse Costs	224,776.22		
03-07-NC	15	Special Recognition/Bonus Awards	12,402.00		

**FOREST OIL CORPORATION  
PROPERTY - TRADING BAY UNIT & FIELD  
SUMMARY OF OUTSTANDING EXCEPTIONS  
ATTORNEY CLIENT WORK PRODUCT**

Audit	Exception	Description	Open Exception \$	Exceptions Granted	Footnote
03-07-NC	16	Office Services, Equipment and Supplies	131,151.55		
03-07-NC	17	Administrative Type of Equipment	10,434.87		
03-07-NC	18	Non-Technical Training	20,643.35	4,836.22	
03-07-NC	19	JIAK District Expense	512,288.54	66,676.63	
03-07-NC	20	Gift Certificates	61,641.61		
03-07-NC	21	Miscoded Vouchers - Bruce and Anna Platforms	0.00	2,264.16	
03-07-NC	22	Costs Covered by Overhead - Drilling Accountant	51,076.58		
03-07-NC	25	Government Compliance Charges Covered by Overhead	36,760.71		
03-07-NC	26	JIAK District Expense/Timewriting	0.00	146,721.72	
03-07-NC	27A	Unsupported Boat and Helicopter Charges	40,693.74		
03-07-NC	27B	Unsupported Boat and Helicopter Charges	120,000.00		4
03-07-NC	29	Surplus 7" Casing - K1 RD2	3,743.86		
03-07-NC	30	Surplus 4-1/2" Tubing - K1 RD2	0.00	3,247.84	
03-07-NC	32	Surplus 4-1/2" Tubing - Steelhead M-29	7,213.54		
03-07-NC	36	Coding Error - Inspection Charges	0.00	3,294.71	
03-07-NC	37	Coding Error - McKinley Services & Equipment	0.00	2,377.70	
03-07-NC	40	Duffel Bag Charges	0.00	18,784.11	
03-07-NC	41	Misidentified Charges to AFE 147382	644,849.53		
2000					
03-06-NC	1	Coding Errors - Steelhead Platform Well M-32RD	66,506.41	13,013.80	
03-06-NC	2	Well M-32RD Drilling Mud	81,327.14		
03-06-NC	3	Covered by Overhead - Gift Certificates	45,359.52		
03-06-NC	5	Coding Errors - Dillon Platform	5,540.62		
03-06-NC	6	Coding Error - 5-1/2" Casing	2,163.00		
03-06-NC	7	Surplus Tubing - Well M-32RD	8,632.44	216.18	
03-06-NC	8	Diamond Drill Bit Salvage Value	28,673.00		5
03-06-NC	11	Duplicate Charges - Alaska Communication	19,551.85		
03-06-NC	12	Covered by Overhead - Pre-Employment Services	28,016.32	4,683.47	
03-06-NC	14	Covered by Overhead - Non-Technical Training	0.00	4,236.65	
03-06-NC	15	Covered by Overhead - Newspaper Subscription and Classified Ad Dis	5,827.80	1,268.37	
03-06-NC	16	Covered by Overhead - Gift Certificates and Clothing	77,806.08		
03-06-NC	17	Covered by Overhead - Office Services, Equipment and Supplies	41,531.44		
03-06-NC	18	Covered by Overhead - Contract Buyer	26,660.59		
03-06-NC	19	Covered by Overhead - Contract Clerical Labor	44,310.53		
03-06-NC	21	Covered by Overhead - JIAK Technical Employees	10,508.52		
03-06-NC	22	Covered by Overhead - JIAK District Expenses	314,079.26		
03-06-NC	23	Covered by Overhead - JIAK Technical Production Employees	241,147.93		
03-06-NC	24	Trading Bay Unit Operator Fee	27,774.46		
03-06-NC	26	Covered by Overhead - Warehouse Costs	245,336.99		
03-06-NC	28	Covered by Overhead - Labor Costs	84,104.01		
03-06-NC	29	Coding Error - Swanson River	6,511.02		
03-06-NC	30	Coding Error - Offshore Systems, Inc.	0.00	2,028.79	
03-06-NC	31	Journal Voucher Cash Calls Not Reversed	59,340.00		
03-06-NC	33	Covered by Overhead - Warehouse General Administrative	0.00	3,606.92	
03-06-NC	34	Surplus Tubing - AFE 140441	43,783.53		
03-06-NC	39	Well G-18 Drilling Mud	14,004.74		
03-06-NC	40	Coding Errors - 3-1/2" Drill Pipe	0.00	9,373.00	
03-06-NC	41	Covered by Overhead - Bonus Payments	1,545.00		
03-06-NC	42	Duplicate Charges - Statewide Services, Inc.	11,873.36		
03-06-NC	43	Drilling Foreman Employee Expenses	175,681.92		
03-06-NC	44	Ending Fuel Inventory - Workboat Champion	0.00	20,685.15	
03-06-NC	45	Prorated Workboat Charges	0.00	219,351.59	
03-06-NC	46	Coding Errors	0.00	4,838.57	
03-06-NC	49	Unsupported Charge - Manual Journal Voucher	33,257.22		
03-06-NC	50	State Tax on #2 Diesel Fuel (Non-Marine Use)	16,024.07	217.70	
03-06-NC	51	Miscoded Charges	14,432.53		
1999					

**FOREST OIL CORPORATION  
PROPERTY - TRADING BAY UNIT & FIELD  
SUMMARY OF OUTSTANDING EXCEPTIONS  
ATTORNEY CLIENT WORK PRODUCT**

Audit	Exception	Description	Open Exception \$	Exceptions Granted	Footnote
01-03-NC	1	Coding Error -- Pollard Wireline	6,180.00		
01-03-NC	2	Coding Error -- Pollard Wireline	12,799.56		
01-03-NC	3	Steelhead Grayling Gas Sands Surplus Stock	0.00	88,155.00	
01-03-NC	4	Costs Covered by Overhead -- Corporate Restructuring	0.00	21,123.74	
01-03-NC	5	Unit Operator Fees	59,669.54		
01-03-NC	7	Costs Covered by OH -- Purch Salary/Burden -- Logistic Group	15,341.06		
01-03-NC	8	Duplication of VS&D Costs -- Logistics Group Allocation	0.00	12,656.97	
01-03-NC	9	Costs Covered by Overhead -- Gift Certificates	0.00	3,211.00	
01-03-NC	11	Production Foremen Allocation	39,128.30		
01-03-NC	12	Bruce Platform Disposal Fees	192,740.23		6
01-03-NC	13	Costs Covered by Overhead -- Gift Certificates	0.00	16,306.80	
01-03-NC	14	Costs Covered by Overhead -- Warehousing	258,420.68		
01-03-NC	15	Technical Employee Labor -- JIAK Tech Emp J5 10	62,509.28		
01-03-NC	17	Costs Covered by Overhead -- Kenai Office Accounting	111,195.55		
01-03-NC	18	Production Foreman -- Beneficiary Payments	9,526.34		
01-03-NC	21	District Expense Allocation -- Burden Application to Kenai Clerk	0.00	508.52	
01-03-NC	22	Costs Covered by OH - District Exp Alloc Kenai Office Acct	16,484.98		
01-03-NC	23	Costs Covered by OH -- Non-Tech/Management Training	0.00	3,005.44	
1998					
00-20-NC	1	Property Miscode - DSR Companies	14,008.96		
00-20-NC	3	Logistics Group Payroll	0.00	27,636.50	
00-20-NC	4	District Expense Allocation - Forklifts	5,078.92	5,833.89	
00-20-NC	5	District Expense Allocation - Accounting Personnel	24,179.49	12,167.72	
00-20-NC	6	District Expense Allocation - Burden and Benefits	0.00	3,164.04	
00-20-NC	8	Steelhead Gas Sands Surplus Stock	72,661.74		
00-20-NC	9	Swanson River Surplus Stock	791.80		
00-20-NC	10	New Ventures AFE 125214	4,703.22		
00-20-NC	11	Purchasing Agent - Tech Employee Allocation	0.00	25,915.42	
00-20-NC	12	Computer Equipment - Covered by Overhead	81,728.62		
00-20-NC	13	Management Training - Covered by Overhead	0.00	1,584.70	
00-20-NC	14	Allocation Miscode	0.00	2,145.00	
00-20-NC	15	Kenai Office Equipment Rental	20,469.18		
00-20-NC	17	Computer Technician - Covered by Overhead	15,437.98		
00-20-NC	18	Project Aide Kenai Office Accounting	14,264.70		
00-20-NC	19	CMMS Program Administrator and Secretary	20,966.20		
00-20-NC	20	Project Aide - Kenai Office - O & G Inspections	34,210.45		
00-20-NC	22	Unsupported Entries	0.00	1,461.92	
00-20-NC	24	Warehouse Rental - Arness Dock	171,137.00		
00-20-NC	25	Electrical Power - Kenai Office	1,198.08		
00-20-NC	26	Electrical Power - Warehouse - Arness Dock	5,040.49		
00-20-NC	27	Electrical Power - Lockco Building	2,371.23		
00-20-NC	29	Safety Awards - Allocated	19,467.10		
00-20-NC	30	Warehouse Rent - Technical Employee Allocation	17,510.00		
00-20-NC	31	Warehouse Rental - Systems Clearing	6,753.47		
00-20-NC	33	Steelhead Platform - Surplus Stock Purchase	95,600.79		
00-20-NC	34	Unit Operator Fee	0.00	19,179.00	
1997					
99-25-NC	1	Marathon Oil Company Sub-Operator Billings	0.00	108,044.79	
99-25-NC	2	Logistics Group Payroll	0.00	18,676.67	
99-25-NC	3	District Expense Allocation - Forklifts	5,808.97	6,672.48	
99-25-NC	4	District Expense Allocation - Accounting Personnel	39,776.78	16,990.61	
99-25-NC	5	District Expense Allocation - Burden and Benefits	0.00	8,323.40	
99-25-NC	7	New Ventures AFE 125214	34,317.22		
99-25-NC	8	Property Miscode - Dailey Oil Tools	0.00	12,133.40	
99-25-NC	9	Purchasing Agent - Tech Employee Allocation	0.00	16,721.64	
99-25-NC	11	Safety Awards - Allocated	18,640.38		
99-25-NC	12	Warehouse Rent - Technical Employee Allocation	13,109.63		



**FOREST OIL CORPORATION  
PROPERTY - TRADING BAY UNIT & FIELD  
SUMMARY OF OUTSTANDING EXCEPTIONS  
ATTORNEY CLIENT WORK PRODUCT**

Audit	Exception	Description	Open Exception \$	Exceptions Granted	Footnote
99-25-NC	13	Warehouse Rental - Systems Clearing	71,911.89		
99-25-NC	14	Electric Services - Warehouse Facilities	2,029.94		
99-25-NC	16	Unit Operator Fee - Zone Adjustments	0.00	TBD	7
		Gross Totals	13,202,751.93	2,261,236.24	8
		Forest Net Interest	0.4680	0.4680	
		Net Totals	6,178,887.90	1,058,258.56	

Footnote #	Audit Number	Exception Number	Service Year	Footnote Description
1	05-05-NO	55	2004	<p>During the Steelhead Platform facilities tour, the review team noted the following operating systems that provide operational benefits to both the Oil WIPA operations and the Gas WIPA operations:</p> <p>1. The power generation system provides electrical power for the oil production and water injection operations and the remaining power goes to platform hotel and miscellaneous systems. However, it was also noted that the Gas WIPA operations relies on the byproduct "waste heat" delivered via a thermal energy system from the power generation system to dehydrate their gas sales stream. This service provided by the Oil WIPA saves the Gas WIPA operations dehydration costs that range from five to ten cents per mcf.</p> <p>2. The Water Injection System relies on the electrical power to drive the water injection pumps and charge pumps. Cook Inlet water is pumped into the system pressurized and injected for formation waterflood. It was also noted that the Gas WIPA operations utilizes cooling from Inlet water, pumped onto the platform for waterflood operations, to cool interstage compression for the gas stream via a closed loop heat exchange system.</p> <p>The above two facilities primarily serve the Oil WIPA operations with costs being billed to the Oil WIPA owners. However, the Operator has failed to establish any accounting for the benefits which are derived from these facilities operations by the Gas WIPA.</p> <p>The Operator is requested to establish appropriate accounting measures to ensure that the Gas WIPA operations are charged, and the Oil WIPA operations are credited, for the benefits derived from the Steelhead Platform facility operations that are charged to the Oil WIPA.</p>
2	04-06-NO	3	2003	(additional invoices identified by Unocal as requiring credit to the Joint Account). This results in a total credit to be granted of \$53,233.55. Please see Unocal's response to Exception number 3 Unocal audit reference 04-04.
3	04-06-NO	38	2003	This exception amount represents the 20% discount not granted on rental tools charged. Total exception calculated as follows: Exception 38 \$232,724.64 X .2 = \$46,544.93, Exception 6 \$1,009,682.19 X .2 = \$201,936.44
3	04-04-NO	6	2002	
4	03-07-NO	27B	2001	Contract information provided by Unocal for 2000 for the use of vessels Monarch and Champion by Phillips Petroleum and Cross Timbers Operating indicated the rate was to be \$5,000.00 per day plus fuel. In determining a value for this exception Forest has used a day rate of \$5,000.00 for the vessel and \$1,000.00 per day for fuel (fuel rate is an estimate of what actual usage would be). This results in a rate of \$6,000 per day. The total days the vessels were used per the exception documentation indicated twenty (20) days were used for a total exception credit due of \$120,000 (\$6,000 x 20 = \$120,000.00). Upon receipt of requested contract supplements for 2001 and actual fuel costs documentation the actual credit amounts can be calculated.
5	03-06-NO	8	2000	A review of the original exception revealed the bits were in condition "C" when they were removed from the property. The bits have been stored in Unocal's warehouse therefore should not have deteriorated and are being valued at "C" condition for this exception.
6	01-03-NO	12	1999	<p>Exception amount converted from TBD to \$192,740.23</p> <p>This value was determined using the \$80.00 per barrel disposal fee used in 04-04-NO exception 39 as a valid rate per barrel for the disposal fee.</p> <p>Calculation: 1,399 barrels disposed of times \$137.77 (amount charged \$217.77 - amount should have been charged \$80.00 = \$137.77) = \$192,740.23.</p>
7	99-25-NO	16	1997	<p>Listed below is Unocal's response to this exception which indicates credit is to be granted, but the amount to be granted is "To Be Determined".</p> <p>Unocal Response:</p> <p>The auditor is correct, the Steelhead GGS partially owned by Marathon should be charged a portion of the operator fee. The auditor's methodology requiring monthly calculations is too burdensome in the operator's opinion. Unocal will attempt to find a methodology that will be simple, reasonable and less burdensome. Credit to be determined.</p>



8	N/A	N/A	N/A	<p>Accounting Guidelines 19 (AG-19), <u>Section III. Audit Resolution</u>, A. Operator, Paragraph 4 states, "The Operator is also responsible for ensuring that any granted credits are fully documented and identified as a separate line for each Exception on the JIB. If the JIBs not sufficiently detailed to allow the verification of the credits, the Operator is required to provide additional documentation such as the voucher entry, additional supporting schedules, and other relevant information." Forest requests for each credit granted that Unocal provide the information listed in the paragraph above in order for Forest to verify that the credits in the amounts noted have been granted. Forest requests that payment for the net credits be made directly to Forest for the credits that have not been granted.</p>
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